

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was listed on the Stock Exchange of Thailand in 1993. The Company is engaged in business of manufacturing and exporting of frozen vegetable. The address of its registered office are as follows:

Head Office is located at 149/34 floor 3rd-4th Soi Anglo Plaza, Surawongse road, Surawongse, Bangrak, Bangkok.

Branch Office 1 is located at 92 Moo.3, Chiangmai-Phrao road, Tumbol Nongjom, Amphur Sansai, Chiangmai.

Branch Office 2 is located at 299 Moo.14, Chiangmai-Phrao road, Tumbol Maefak mai, Amphur Sansai, Chiangmai.

2. BASIS FOR INTERIM FINANCIAL STATEMENTS PREPARATION

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 Interim Financial Reporting; guidelines promulgated by the Federation of Accounting Professions (“TFAC”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2018. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

The preparation of interim financial statements in conformity with Thai Financial Report Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

3. NEW FINANCIAL REPORTING STANDARDS

3.1 Financial reporting standards that became effective in the current period

During the period, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below :

TFRS 15 Revenue from Contracts with Customers

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue-Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue

arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's financial statements.

3.2 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

Financial reporting standards related to financial instruments

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

TFRS 16 Leases

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

4. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2018, except

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

for the change in the accounting policy due to the adoption of TFRS 15, *Revenue from Contracts with Customers*, as follow:

Revenue recognition

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting discounts and consideration payable to customers.

5. TRANSACTIONS WITH RELATED COMPANIES

5.1 Relationships and pricing policies

The relationship and pricing policies among the Company and related companies are as follows:

	<u>Relationship</u>
<u>Related companies :</u>	
C.T. Prosper Group Co., Ltd.	Common Shareholders and directors
Saithong Citrus Orchard Co., Ltd.	Common Shareholders and directors
	<u>Pricing policy</u>
Service income	Compared to market price
Rental income	At contract price which had been agreed upon
Purchase	Compared to market price

5.2 Revenue and expenses among the Company and related companies

Revenue and expenses among the Company and related companies for the three-month periods ended 30 June 2019 and 2018 are as follows:

	<u>In Baht</u>	
	<u>2019</u>	<u>2018</u>
Other income		
Related companies	22,500	22,500
Directors and management's benefits		
Short-term employee benefits	7,541,589	7,831,136
Post-employment benefits	1,350,490	216,685
Total	<u>8,892,079</u>	<u>8,047,821</u>

Revenue and expenses among the Company and related companies for the six-month periods ended 30 June 2019 and 2018 are as follows:

	<u>In Baht</u>	
	<u>2019</u>	<u>2018</u>
Other income		
Related companies	45,000	384,119
Purchase		
Related companies	656,810	-
Directors and management's benefits		
Short-term employee benefits	15,083,178	15,644,952
Post-employment benefits	1,423,706	433,371
Total	<u>16,506,884</u>	<u>16,078,323</u>

6. SHORT-TERM INVESTMENTS

In Baht

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

	30 June 2019	31 December 2018
Fixed deposits	50,002,010	150,002,000
Trading investment-Fund	140,388,674	40,105,389
Total	<u>190,390,684</u>	<u>190,107,389</u>

The movement in trading investment-fund for the six-month period ended 30 June 2019 can be analysed as follow:

	In Baht
Opening balance	40,105,389
Additions during the period	149,996,000
Disposal during the period	(50,000,000)
Gain on sales of investment	160,286
Gain on change in fair value	126,999
Ending balance	<u>140,388,674</u>

7. TRADE AND OTHER RECEIVABLES

	In Baht	
	30 June 2019	31 December 2018
Trade receivable	116,322,539	105,133,431
Value added tax receivable	6,114,190	2,413,801
Accued interest receivable	266,299	72,881
Advance payment	3,889,791	1,299,429
Advance payment for seed	7,222,967	30,120,656
Other receivables	1,351,966	440,726
Total	<u>135,167,752</u>	<u>139,480,924</u>

The aging of outstanding balances as at 30 June 2019 and 31 December 2018 are as follows:

	In Baht	
	30 June 2019	31 December 2018
Trade receivable		
Within credit terms	111,939,270	70,152,589
Overdue :		
Less than 3 months	4,383,269	34,980,842
Total Trade receivable	<u>116,322,539</u>	<u>105,133,431</u>

8. ACCOUNTS RECEIVABLE-PLANTERS

	In Baht	
	30 June 2019	31 December 2018
Accounts receivable-planters	22,484,380	8,864,224
<u>Less</u> Allowance for doubtful accounts	<u>(877,277)</u>	<u>(804,895)</u>
Net	<u>21,607,103</u>	<u>8,059,329</u>

9. SHORT-TERM LOANS TO OTHER COMPANY

As at 30 June 2019, the Company has short-term loans to Sino-Thai Freeze & Dry Co., Ltd., which is the other investment with a proportion of 15%, the Company supported in according of investment

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

proportion in amounting of Baht 13.6 million with an interest rate of 6.75% per year, the repayment conditions are at call.

10. INVENTORIES

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories-net	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Finished goods and semi-finished products	461,258,277	555,594,271	(4,572,295)	(4,188,313)	456,685,982	551,405,958
Raw material and Supplies	32,125,286	33,738,950	(96,857)	(96,282)	32,028,429	33,642,668
Seeds, insecticide, Fertilizer	58,846,940	28,140,957	(14,880)	(14,880)	58,832,060	28,126,077
Total	552,230,503	617,474,178	(4,684,032)	(4,299,475)	547,546,471	613,174,703

During the period, the Company reduced cost of inventories by Baht 0.38 million to reflect the net realizable value, which was presented in cost of sales.

11. OTHER LONG-TERM INVESTMENT

As at 30 June 2019

	Nature of Business	Paid-up Capital (In Baht)	Holdings (%)	At Cost (In Baht)
Sino-Thai Freeze & Dry Co., Ltd.	Manufacturing and distributing of frozen product and freeze dried product	250,000,000	15	<u>37,500,000</u>

12. INVESTMENT PROPERTY

Investment property of the Company as at 30 June 2019 and 31 December 2018 amounted to Baht 22.1 million represent the book value of the Company's plot of land which held for nonspecific purpose.

13. PROPERTY, PLANT AND EQUIPMENT

	In Baht
For the six-month period ended 30 June 2019	
Book value, beginning of period	379,018,851
Acquisition of assets	53,785,975
Disposals and amortization	(33,876)
Depreciation	<u>(25,719,331)</u>
Book value, end of period	<u>407,051,619</u>

14. LEASE DEPOSIT ON LAND

On 25 March 2016, the Company on land entered into the pre-deposit lease agreement with the lessor. The pre lease deposit agreement for the land of 47.73 Acres has the total lease value through the lease period of U.S. Dollars 1.43 million (equivalent to Baht 50.57 million at exchange rate from Bank of Thailand as of 25 March 2016 stated 35.32 Baht/USD). The lease period is 50 years and the 2 extension

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

offering right considered 10 years for each extension. The Company shall arrange the deposit for 50% of total lease value, considering U.S. Dollars 0.71 million (equivalent to Baht 25.36 million) immediately after signing the pre lease deposit agreement on 25 March 2016. The remaining lease value shall be paid upon the lease agreement date. The lessor is obliged to fill the land appropriate for the plant construction, and coordinate with the authorities to arrange the usage of land allowed the construction of plant prior to the entering of lease agreement with the Company's subsidiary currently determining for the incorporation in Myanmar, within 9 months started from 1 April 2016.

However, due to the difficulties in coordination with the Myanmar authorities, the Board of Director's Meeting No. 6/2018 has considered with the legal advisor and conclude that since the company still maintain their intention to invest in the project, therefore appointed the Executive Committee to negotiate with counterparty and wxtend the contract for the period of 1 year to be ended 31 December 2019. The Counterparty has agreed upon the extension period without further conditions and signed by return and acknowledge by the Board of Director's Meeting No.7/2018.

15. INTANGIBLE ASSETS-SOFTWARE COMPUTER

	In Baht
For the six-month period ended 30 June 2019	
Book value, beginning of period	8,843,088
Acquisition of assets	681,800
Amortization	(408,504)
Book value, end of period	9,116,384

16. BANK OVERDRAFTS AND SHORT-TERM LOANS

As at 30 June 2019 and 31 December 2018, the Company has the overdrafts and short-term loans facilities amounted to Baht 473 million. The facilities charge an interest at the rate of MOR per annum.

17. TRADE AND OTHER PAYABLES

	In Baht	
	30 June 2019	31 December 2018
Trade payables	39,613,336	34,986,245
Accrued expenses	27,499,961	34,260,915
Others payables	2,067,293	1,327,402
Total	69,180,590	70,574,562

18. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht	
	30 June 2019	31 December 2018
Liabilities under finance lease agreements	4,700,549	2,940,390
<u>Less</u> Deferred interest and input vat	(439,090)	(292,870)
Current portion of liabilities under finance lease agreements	(1,532,119)	(960,462)

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

Net 2,729,340 1,687,058

19. EMPLOYEE BENEFIT OBLIGATIONS

The Company operate post employment benefit and pension based on the requirement of Thai Labour Protection Act B.E. 2541 to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

	In Baht
For the six-month period ended 30 June 2019	
Defined benefit obligations at 1 January 2019	49,643,277
Included in profit or loss:	
Current service cost	1,689,528
Past service cost	10,630,034
Interest cost	620,394
Actuarial loss	3,067,620
Employee benefit paid	(1,511,100)
Employee benefit obligations at 30 June 2019	64,139,753

Amendments to the law relating to the legal severance pay rates

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company have additional long-term employee benefit liabilities of Baht 10.63 million as a result. The Company reflected the effect of the change by recognising past service costs as expenses in the statement of comprehensive income of the current period.

20. DIVIDENDS PAID

Dividend	Approved by	Number of ordinary shares (Million Shares)	Dividend per share (Baht per share)	Dividend (Million Baht)	Date of payment
Interim dividend paid from the operating results year 2018	At the ordinary shareholders' meeting dated 24 April 2019	381	0.11	41.93	May 2019
	Total dividends paid year 2019			41.93	
Interim dividend paid from operating results for the six-month period ended 30 June 2018	At the Company's Board of Directors meeting dated 8 October 2018	381	0.10	38.11	November 2018
Interim dividend paid from the operating results year 2017	At the ordinary shareholders' meeting dated 27 April 2018	381	0.20	76.23	May 2018
	Total dividends paid year 2018			114.34	

21. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Company has engaged in the business of manufacturing and distribution of frozen vegetables and operated in one geographical area in Thailand. Therefore, these financial statements do not present the geographical segment.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

For the three-month periods ended 30 June 2019 and 2018, the Company has export sales and domestic sales are as follows:

	In Baht	
	2019	2018
Export sales	299,374,723	325,642,233
Domestic sales	13,236,696	7,838,011
Total	<u>312,611,419</u>	<u>333,480,244</u>

For the six-month periods ended 30 June 2019 and 2018, the Company has export sales and domestic sales are as follows

	In Baht	
	2019	2018
Export sales	562,472,041	592,933,535
Domestic sales	23,206,563	11,615,103
Total	<u>585,678,604</u>	<u>604,548,638</u>

22. INCOME TAX

Tax expenses (income) for the three-month periods ended 30 June 2019 and 2018 are made up as follows:

	In Baht	
	2019	2018
Current income tax		
Interim corporate income tax charge	898,625	8,522,934
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,424,807)	301,380
Tax expense (income) reported in the statements of comprehensive income	<u>(1,526,182)</u>	<u>8,824,314</u>
Income tax recognised in other comprehensive income		
Actuarial loss	<u>(613,524)</u>	<u>-</u>

Tax expenses (income) for the six-month periods ended 30 June 2019 and 2018 are made up as follows:

	In Baht	
	2019	2018
Current income tax		
Interim corporate income tax charge	898,625	13,526,395
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,320,501)	57,929

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

Tax expense (income) reported in the statements of comprehensive income	(1,421,876)	13,584,324
Income tax recognised in other comprehensive income		
Actuarial loss	(613,524)	-

Deferred tax assets is presented in the statement of financial positions as follows:

	In Baht	
	30 June 2019	31 December 2018
Statements of financial position		
Increase in deferred tax assets		
Allowance for doubtful accounts	175,455	160,979
Allowance for diminution of inventories	936,807	859,895
Provisions for employee benefit obligations	12,827,951	9,928,655
Increase in deferred tax liability		
Premium on revaluation of trading investments	(77,737)	(21,078)
	<u>13,862,476</u>	<u>10,928,451</u>

23. FAIR VALUE OF FIANCIAL INSTRUMENTS

The Company use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company endeavor to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels as follows:

Level 1-Use of quoted market prices in an observable active market for such assets or liabilities

Level 2-Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3-Use of unobservable inputs such as estimates of future cash flows

As at 30 June 2019 and 31 December 2018, the Company had the assets that were measured at fair value using different levels of inputs as follows:

	30 June 2019			(Unit : Baht)
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Held for trade investments-				
Unit Trust	-	140,388,674	-	140,388,674
Assets for which fair value are disclosed				
Investment property	-	90,605,550	-	90,605,550

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2019 (UNAUDITED)

(Unit : Baht)

	31 December 2018			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Held for trade investments-				
Unit Trust	-	40,105,389	-	40,105,389
Assets for which fair value are disclosed				
Investment property	-	90,605,550	-	90,605,550

24. FOREIGN CURRENCY RISK AND RISK MANAGEMENT

The Company exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Company has policies to hedge such risks by using derivative financial instruments.

As at 30 June 2019, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 24.30 million in exchange of Baht 773.49 million with 4 commercial banks. The contract will be due in December 2019. Per comparative between fair value and contract value, the gain amounting Baht 29.39 million is incurred.

25. COMMITMENT AND CONTINGENT LIABILITIES

As at 30 June 2019

25.1 The Company has commitments for software license and system consulting agreement amounting of Baht 0.6 million.

25.2 The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 0.3 million.

25.3 The Company has contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.

25.4 The Company has capital expenditure in respect of the repairing of the plant amounting of Baht 35.87 Million.

26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of Directors on 13 August 2019.